GEORGIA DEPARTMENT OF
COMMUNITY HEALTH

Rhonda M. Medows, MD, Commissioner

Sonny Perdue, Governor

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February 15, 2008

Honorable Henry A. Waxman
Chairman, Committee on Oversight and Government Reform
House of Representatives
2157 Rayburn House Office Building
Washington, D.C. 20515-6143

Dear Chairman Waxman,

I appreciate your interest in validating CMS estimates of the Administration's recent regulatory actions impacting Medicaid. Please consider this my official response to your January 16, 2008 request for the Georgia-specific impact of six regulatory proposals: cost limit for public providers (CMS 2258-FC), payment for graduate medical education (CMS 2279-P), payment for hospital outpatient services (CMS 2213-P), provider taxes (CMS 2275-P), coverage of rehabilitative services (CMS 2261-P), and payments for costs of school administrative and transportation services (CMS 2287-P). I have also included the Georgia-specific impact of the interim final rule on targeted case management (CMS-2237-IFC).

Attached for your review are both a summary and the supporting detail for the fiscal impact analysis, including the assumptions that have been made in preparing these estimates as well as limitations in data availability. I have also included the effect of the reductions on Medicaid applicants and beneficiaries.

The financial impact to the state of Georgia is significant, estimated at $2.6 billion through June 30, 2012. While the short term impact in Georgia most directly impacts the state's ability to finance Medicaid provider reimbursement, I am concerned that the long term impact will result in decreased access to care, not only for our Medicaid members, but for all citizens.

Please do not hesitate to contact me if I may answer any additional questions about these estimates. Again, thank you for your interest in this subject.

Sincerely,

Mark Trail, Chief
Medical Assistance Plans

cc: Honorable Tom Davis, Ranking Minority Member

State of Georgia
Response to Congressional Inquiry
Committee on Oversight and Government Reform

SUMMARY

Regulation Number:	Regulation Title:	State Fiscal Year (July - June) (a) FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	5 year total
2258-FC	Cost Limits for Public Providers	$ 30.2	$ 361.9	$ 361.9	$ 361.9	$ 361.9	$ 1,477.8
2279-P	Eliminate Payment for Graduate Medical Education	$ 5.2	$ 62.5	$ 62.5	$ 62.5	$ 62.5	$ 255.3
2213-P	Payment for Hospital Outpatient Services			Not Available			n/a
2275-P	Provider Taxes	$ -	$ -	$ 196.9	$ 262.5	$ 262.5	$ 721.8
2261-P	Coverage of Rehabilitative Services	$ -	$ -	$ -	$ -	$ -	$ -
2287-P	Payments for costs of school administration and transportation services	$ -	$ 14.4	$ 14.4	$ 14.4	$ 14.4	$ 57.6
2237-IFC	Targeted Case Management	$ -	$ 16.0	$ 16.0	$ 16.0	$ 16.0	$ 63.9
	TOTAL	$ 35.4	$ 454.8	$ 651.7	$ 717.3	$ 717.3	$ 2,576.4

(a) - estimates based on historical expenditures; no annual inflation has been applied

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Regulation	Regulation Subject	Areas of Impact	Projected (in millions) (a) FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	5 year total	Applicant/Beneficiary Impact	Notes
2258-FC	Cost Limits for Public Providers	Change in definition of public provider - The state's Disproportionate Share Hospital program and Upper Payment Limit programs for hospitals and nursing homes are primarily funded with intergovernmental transfers (IGT's). The change in definitions regarding who can make an IGT to the state will eliminate the fund source for all but 2 participating hospitals. 80 DSH Hospitals; 65 Public Hospitals and 78 Nursing Homes for UPL payments	$ 29.0	$ 348.0	$ 348.0	$ 348.0	$ 348.0	$ 1,421.0	No direct beneficiary impact identified at this time; however, reductions in access to care may result if facilities close without supplemental DSH and UPL payments.	Projected federal fund loss based on the loss of IGT's available as the state matching funds necessary to draw down federal funds beginning June 1, 2008.
		Limiting payment to public providers to cost - Currently the state's ICF-MR Nursing Homes receive a UPL payment at 112% of cost. Additionally, state operated hospitals also receive an inpatient UPL payment equivalent to what Medicare would have paid. With the UPL limited to cost, these supplemental payments would go away.	$ 1.2	$ 13.9	$ 13.9	$ 13.9	$ 13.9	$ 56.8	No direct beneficiary impact identified at this time.	Projected federal fund loss based on the difference between current UPL (Medicare based) and cost beginning June 1, 2008.
		Limiting payment to public providers to cost - Medicaid payments for Non-Institutional Providers (Public Health and Mental Health)	The state cannot determine fiscal impact because it does not capture cost for public providers of non-institutional care; reimbursement to these providers has been fee based.						No direct beneficiary impact identified at this time.	n/a
2279-P	Eliminate Payment for Graduate Medical Education	GME Payments as UPL payments	$ 2.1	$ 25.4	$ 25.4	$ 25.4	$ 25.4	$ 103.8	No direct beneficiary impact identified at this time. The state expects the long term impact to result in less hospitals agreeing to be teaching facilities, which will exacerbate the state's physician shortage.	The state may be able of recover some federal losses by redirecting more of the aggregate Upper Payment Limit to teaching hospitals; however, UPL payments will be limited for public hospitals to cost (vs. currently based on Medicare). This has not been quantified.
		GME Payments as regular Medicaid rate add-ons in Fee-for-Service	$ 1.7	$ 20.6	$ 20.6	$ 20.6	$ 20.6	$ 84.0		
		GME Payments as Medicaid rate add-ons for CMO admissions	$ 1.4	$ 16.5	$ 16.5	$ 16.5	$ 16.5	$ 67.6		The state cannot recover the federal losses via an Upper Payment Limit since these payments were for a risk-based managed care population.

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2213-P	Payment for Hospital Outpatient Services	Exclude from the outpatient hospital services definition those services that are covered and paid as a separate benefit under the state plan.	Currently, the state utilizes cost-based reimbursement for most outpatient services utilizing audited Medicare cost reports and billed revenue codes. The state has not analyzed hospital billing practices to determine which outpatient services would be subject to alternative pricing.						No direct beneficiary impact identified at this time.	n/a
		Requires the use of Medicare fee schedules to calculate UPL payments for private outpatient hospital services instead of using cost.	The state has not yet determined the fiscal impact. Currently, the state only makes UPL payments to private critical access hospitals up to 100% of cost. No analysis has yet been conducted to apply Medicare fee schedules to determine alternative UPL payments.						No direct beneficiary impact identified at this time.	n/a
2275-P	Provider Taxes	Reduction in the indirect hold harmless provision from 6 to 5.5% between 1/1/08 and 9/30/11.	No Impact						No direct beneficiary impact identified at this time.	There are no provisions that result in indirect hold-harmless outcomes for the state's provider fee programs.
		Expand the definition of the managed care provider class to include both Medicaid and non-Medicaid MCOs. Effective 10/1/09 for taxes enacted prior to 12/5/05. (enacting DRA 2005 provisions)	$ -	$ -	$ 196.9	$ 262.5	$ 262.5	$ 721.8	No direct beneficiary impact identified at this time.	The financial impact reflects the loss of federal funds earned from the MCO provider fee. The state assumes that the provider tax will eliminated after the expansion of the provider class definition.
2261-P	Coverage of Rehabilitative Services	Requires the unbundling of services and conversion of payment to a fee-for-service basis considering the skill level of the provider.	$ -	$ -	$ -	$ -	$ -	$ -	No direct beneficiary impact identified at this time.	While changes will be made to the state's reimbursement for rehabilitative services to comply with the new regulation, the state expects this change to be budget neutral.
2287-P	Payments for costs of school administration and transportation services	School Administration	$ -	$ 14.2	$ 14.2	$ 14.2	$ 14.2	$ 56.7	No direct beneficiary impact identified at this time. Schools will continue to provide these services without Medicaid reimbursement.	The financial impact assumes school-based administrative and transportation services are ineligible for Medicaid reimbursement after July 1, 2008.
		Transportation Services	$ -	$ 0.2	$ 0.2	$ 0.2	$ 0.2	$ 0.9		
2237-IFC	Targeted Case Management	Child Protective Services	$ -	$ 14.5	$ 14.5	$ 14.5	$ 14.5	$ 58.0	No direct beneficiary impact identified at this time. TCM services would continue to be provided by state social service agencies.	The financial impact assumes these TCM programs are ineligible for any Medicaid reimbursement after July 1, 2008.
		Children at Risk of Incarceration	$ -	$ 1.5	$ 1.5	$ 1.5	$ 1.5	$ 5.9		

(a) - estimates based on historical expenditures; no annual inflation has been applied

5 year Total (All Regulations) $ 2,576.4

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